

THE WALL STREET JOURNAL, Tuesday, May 22, 1984

House Panel Seeks Justice, SEC Records As Probe of Rewald-CIA Case Is Launched

By JONATHAN KWITNY
Staff Reporter of THE WALL STREET JOURNAL

WASHINGTON—The House Committee on Energy and Commerce has begun an investigation into the government's handling of the case of accused investment fraud artist Ronald Rewald.

Mr. Rewald's connections to the Central Intelligence Agency were the subject of a page one story in The Wall Street Journal April 18; the article provoked the congressional investigation, a committee spokesman said.

Rep. John Dingell (D., Mich.), chairman of the committee's oversight panel, wrote last Thursday to Attorney General William French Smith and John Shad, chairman of the Securities and Exchange Commission, announcing the inquiry and requesting records and information about the case by the end of May.

As reported in April, Mr. Rewald said he let the CIA use his investment firm of Bishop, Baldwin, Rewald, Dillingham & Wong as a front for CIA spying operations. Also, Mr. Rewald himself spied on foreigners at the CIA's request and reported his findings to the CIA. Bishop Baldwin took in a reported \$23 million in investment accounts before going into bankruptcy proceedings last August with few apparent assets, stranding hundreds of investors.

CIA Connections

Mr. Rewald lured accounts by publicly flaunting his CIA connections and by making numerous false statements, such as that his accounts were insured by the Federal Deposit Insurance Corp. In papers filed in

his defense in federal district court, Mr. Rewald has conceded making false statements, but argued that he did so on the CIA's instructions to provide a more effective cover.

Documents he provided to the court, along with cartons of other records from his company, have been seized by the CIA on national security grounds. Also, federal Judge Martin Pence, at the CIA's request, has issued a "gag" order prohibiting anyone connected with the case from discussing the CIA angle.

Many victims of Bishop Baldwin's collapse have hired noted attorney Melvin Belli and have sued the CIA for their losses. Mr. Rewald himself has joined the suit as a plaintiff, claiming the CIA deserted him in violation of its employment promises.

Separately, it has been learned that Theodore Greenberg, assistant U.S. Attorney for the Northern District of Virginia, where the CIA is based, has flown to Hawaii to help supervise the handling of a federal grand jury investigation into the affair. Mr. Greenberg, who has experience prosecuting large fraud cases, wasn't available for comment yesterday.

It was previously reported that the Hawaii U.S. Attorney's office, which would normally prosecute the case, had assigned it to John Peyton, who had joined that office just after the Rewald firm's collapse. Previously, Mr. Peyton had served as chief of the litigation section of the CIA at its Langley, Va., headquarters. He has described this as "pure, utter coincidence."

Northwest Air Trims Its Expansion Plans, Cites Pilot Shortage

By a WALL STREET JOURNAL Staff Reporter

ST. PAUL, Minn.—Northwest Airlines said it is trimming its domestic expansion for the peak summer season to 3.9% from about 6% originally planned, because of a pilot shortage.

The shortage developed as the Air Line Pilots Association balked at company demands for increased flying hours this summer. Union sources blamed Northwest, saying the carrier didn't hire enough new pilots and didn't anticipate the shortage. Northwest pilots currently fly a maximum of 80 hours a month.

Northwest recently suspended service to Wichita, Kan., and Pittsburgh, and said it planned other cutbacks this summer. Overall, though, Northwest's capacity on its Pacific and Far Eastern service.

Following the annual meeting, M.J. Lampensky, chairman and chief executive officer, said he expected the curb on domestic expansion to be eased next year, because new-pilot hiring currently is under way and

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